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October 24, 2023

VIA ELECTRONIC DELIVERY

Ms. Vanessa A. Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File No. SR-NASDAQ-2023-025: Notice of Filing of Proposed Rule Change to Establish Listing Standards Related to Notification and Disclosure of Reverse Stock Splits

Dear Ms. Countryman:

Robinhood Securities, LLC (“Robinhood”)¹ respectfully submits this letter in response to the above-referenced rule filing submitted by The Nasdaq Stock Market LLC (“Nasdaq”) on July 28, 2023 (the “Proposal”).²

Under the proposal, Nasdaq would adopt Rules 5250(b)(4) and (e)(7) and IM-5250-3, under which a Nasdaq-listed company conducting a reverse stock split would be required, among other things, (i) to notify Nasdaq of the reverse stock split no later than 12 p.m. ET at least five business days prior to the proposed market effective date of the reverse stock split and (ii) to disclose the reverse stock split publicly no later than 12 p.m. ET at least two business days prior to the proposed market effective date of the reverse stock split and provide prior notice of the disclosure to Nasdaq.

Robinhood writes in support of the proposal and, in particular, the requirement under proposed Nasdaq Rule 5250(b)(4) to disclose the reverse stock split publicly no later than 12 p.m. ET at least two business days prior to the proposed market effective date of the reverse stock split. Nasdaq-listed companies are currently required to disclose a reverse stock split no later than approximately 1 p.m. ET on the day prior to the market effective date of the reverse stock split.³

¹ Robinhood Securities, LLC, a FINRA-member broker-dealer, is a wholly owned subsidiary of Robinhood Markets, Inc.

² *Notice of Filing of Proposed Rule Change to Establish Listing Standards Related to Notification and Disclosure of Reverse Stock Splits*, File No. SR-NASDAQ-2023-025, SEC Exchange Act Release No. 98014 (July 28, 2023), available at <https://www.sec.gov/files/rules/sro/nasdaq/2023/34-98014.pdf>.

³ See Proposal, fn. 7 and accompanying text. Nasdaq Rule 5250(b)(1) requires “prompt disclosure” of “any material information that would reasonably be expected to affect the value of its securities or influence investors’ decisions,”



Robinhood agrees that “the proposed rule changes will help maintain fair and orderly markets, protect investors and the public interest” in part because “the minimum two business day public notice will allow market participants to timely update their systems, which will help to reduce the risk that investors and brokers inadvertently miss the public announcement of the reverse split, and continue to make or accept trades at the pre-split price.”⁴

Taking a step back, several factors potentially contribute to the “substantial financial, operational, client, reputational and regulatory impacts” that can result from the “unique potential risks to investors and market participants” presented by reverse stock splits.⁵ First, Nasdaq-listed companies are subject to a minimum bid price requirement and potentially have multiple opportunities to satisfy that requirement through reverse stock splits when they fall out of compliance.⁶ Such opportunities are denied in only limited circumstances.⁷ Second, as implicitly acknowledged in the Proposal, the current requirement to disclose a reverse stock split no later than approximately 1 p.m. ET on the day prior to the market effective date of the reverse stock split does not leave sufficient time for market data sources to collect and disseminate information regarding the reverse stock split or for broker-dealers that rely on those sources to process the information on behalf of broker-dealer customers. Third, the challenges of processing such information in time are exacerbated when a symbol undergoing a reverse stock split can be traded in the pre-market on the market effective

which includes reverse stock splits. Nasdaq FAQ #317 clarifies that this disclosure “should be disseminated prior to, or in conjunction with, the announcements that Corporate Data Operations will make on the day prior to the market effective date at approximately 1:00 p.m.”

⁴ Proposal at p.8.

⁵ Proposal at p.9.

⁶ Under Nasdaq Rule 5550(a)(2), e.g., “[a] Company that has its Primary Equity Security listed on the Capital Market must continue to meet all of the requirements set forth in Rule 5550(a),” including a “[m]inimum bid price of at least \$1 per share.” Under Nasdaq Rule 5810(c)(3)(A), “[a] failure to meet the continued listing requirement for minimum bid price shall be determined to exist only if the deficiency continues for a period of 30 consecutive business days. Upon such failure, the Company shall be notified promptly and shall have a period of 180 calendar days from such notification to achieve compliance. Compliance can be achieved during any compliance period by meeting the applicable standard for a minimum of 10 consecutive business days during the applicable compliance period, unless Staff exercises its discretion to extend this 10 day period as discussed in Rule 5810(c)(3)(H).”

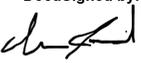
⁷ Under Nasdaq Rule 5810(c)(3)(A)(iii), if “a Company’s security has a closing bid price of \$0.10 or less for ten consecutive trading days, the Listing Qualifications Department shall issue a Staff Delisting Determination under Rule 5810 with respect to that security.” Under Nasdaq Rule 5810(c)(3)(A)(iv), “if a Company’s security fails to meet the continued listing requirement for minimum bid price and the Company has effected one or more reverse stock splits over the prior two-year period with a cumulative ratio of 250 shares or more to one, then the Company shall not be eligible for any compliance period specified in this Rule 5810(c)(3)(A) and the Listing Qualifications Department shall issue a Staff Delisting Determination under Rule 5810 with respect to that security.”



date of the reverse stock split.⁸ Fourth, in the event such information is not processed in time and customers sell pre-split positions at post-split prices,⁹ broker-dealers cannot always rely on MarketWatch to characterize such sales as “clearly erroneous.”¹⁰ Broker-dealers that buy in the market to cover short positions resulting from such sales are subject to losses, particularly if multiple broker-dealers simultaneously are buying in the market for the same reason.

Robinhood appreciates Nasdaq's efforts through the Proposal to address the second factor noted above and stands willing to engage with Nasdaq, the U.S. Securities and Exchange Commission, and other market participants to explore additional avenues for mitigating the risks presented by reverse stock splits. Although outside the ambit of the Proposal, Robinhood also believes it is far past the time that regulators should look at the practice of reverse stock splits, particularly in the context of exchanges' continued listing requirements, to determine if this practice is consistent with principles of investor protection.

Respectfully submitted,

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Imran Javaid

Director and Associate General Counsel, Regulatory
Robinhood Markets, Inc.

⁸ Nasdaq has proposed to address this issue in part by amending Nasdaq Rule 4120 (Limit Up-Limit Down and Trading Halts) and Rule 4753 (Nasdaq Halt Cross) to set forth requirements for halting and resuming trading in securities subject to reverse stock splits. *Notice of Filing of Proposed Rule Change to Amend Rule 4120 and Rule 4753*, File No. SR-NASDAQ-2023-036, SEC Exchange Act Release No. 98489 (September 22, 2023), available at: <https://www.sec.gov/files/rules/sro/nasdaq/2023/34-98489.pdf>.

⁹ For instance, if a symbol is undergoing a 1:10 reverse stock split and a customer has, pre-split, 10 shares at \$5/share, the customer should have, post-split, 1 share at \$50/share. If, post-split, the customer in error were to sell the pre-split position at the post-split price, the customer would be selling 10 shares at \$50/share. This could result in a short position for the customer and/or the customer's broker-dealer.

¹⁰ Under Nasdaq Rule 11890(a)(1), “the terms of a transaction executed on Nasdaq are ‘clearly erroneous’ when there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security. A transaction made in clearly erroneous error and cancelled by both parties or determined by Nasdaq to be clearly erroneous will be removed from the consolidated tape.”